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MEDIUM-TERM PROGRAMME FRAMEWORK, 2006-2009

Proposals of the Director-General

Provides information on proposed activities in the forthcoming medium-term programme framework period, 2006-2009.

Introduction

1. This note is presented in accordance with General Conference decision GC.2/Dec.23, as subsequently modified in decision GC.6/Dec.10, which requests the Director-General to submit to the Board in the first year of each fiscal period, through the Committee, a draft medium-term programme framework (MTPF) for the four years that follow the current fiscal period. It also complies with paragraph (b) (v) d of the same decision, which requests the Director-General to indicate a general ceiling for the next biennium (2006-2007) based on anticipated resources and on programme activity.

I. THE PROGRAMMATIC CONTEXT

2. The broad programmatic objectives and priorities of UNIDO continue to be given by the Business Plan on the Future Role and Functions of UNIDO endorsed by the General Conference in resolution GC.7/Res.1, and recalled by the General Conference in resolution GC.10/Res.2 on the MTPF for 2004-2007.

3. With a view to helping UNIDO enhance the cost effectiveness of its use of resources and the relevance of its cooperation activities and their socio-economic benefits, the Member States presented the Organization with a set of Strategic Guidelines, "Towards improved UNIDO programme delivery". These were adopted by the twenty-sixth session of the Industrial Development Board in November 2002 and subsequently taken into account by the General Conference in resolution GC.10/Res.2 on the MTPF for 2004-2007. The Strategic Guidelines specifically provided for UNIDO to further focus its technical cooperation and global forum activities on producing practical and useful deliverables in areas where it has a comparative advantage.

4. In addition to the specific guidance given by the Member States through the Business Plan and the Strategic Guidelines, UNIDO's programmatic objectives and priorities also continue to be determined by broader decisions taken by the international community with regard to development issues. The most important of these are given by the Millennium Development Goals derived from the Millennium Declaration adopted by the United Nations Millennium Summit in September 2000. Others are given by such initiatives as the World Summit on Social Development Review Session held in Geneva in June 2000, the Third United

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Nations Conference on the Least Developed Countries held in Brussels in May 2001, the International Conference on Financing for Development held in Monterrey in March 2002, and the World Summit on Sustainable Development held in Johannesburg in September 2002.

5. Taking into account the stipulations of the Business Plan and the Strategic Guidelines, as well as the relevant decisions taken by the international community in other forums, the Secretariat formulated a corporate strategy for the Organization, entitled *Developing industry: Productivity enhancement for social advance*, in 2003 (GC.10/14, annex). The purpose was to assist in further focusing UNIDO's specialized competencies and services in fulfilment of its mandate of promoting industrial development and growth in developing countries and countries with economies in transition. Based on extensive consultations within the Organization and beyond, inter alia through the Venice I and II global forum exercises, and building upon a comprehensive review of the current development agenda and recent development experience, the new corporate strategy was aimed at facilitating a better conceptual and operational design of UNIDO's activities, as well as enhanced impact. This corporate strategy was presented to the Member States at the twenty-seventh session of the Industrial Development Board in August 2003, and noted with interest by the General Conference in resolution GC.10/Res.2 on the MTPF for 2004-2007.

6. The UNIDO corporate strategy notes that the Organization has a dual role: To provide technical cooperation services which enhance skills, technology and related capacities, and to perform global forum functions by generating and disseminating knowledge about industrial development processes and associated issues. Though separate, these two roles are closely interlinked and mutually reinforcing, and activities in both fields support each other in the quest for enhancing UNIDO's relevance, effectiveness and impact.

7. With regard to the specific interventions undertaken by UNIDO, the corporate strategy notes that they can analytically be clustered around two key areas of comparative advantage: technology diffusion and capacity-building for market access and development. In both areas, the corporate strategy provides for UNIDO's focus on LDCs and the poor to continue to be stressed and sharpened, and for the environmental sustainability of industrial development to remain an essential ingredient of UNIDO's services. By thus reinforcing the multiple links between entrepreneurship, technology, productivity enhancement and growth through sustainable industrial development, the corporate strategy provides for UNIDO to respond effectively to the challenges of reducing extreme poverty and ensuring environmental sustainability as envisaged in the Millennium Development Goals.

II. MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007

8. The corporate strategy serves as the foundation for the MTPF for 2004-2007. Following its adoption, UNIDO undertook an extensive review of the structure, substance and delivery mechanisms of its technical cooperation and global forum services in order to ensure their alignment with the strategy. This process was undertaken in the latter half of 2003 in connection with the formulation of the MTPF for 2004-2007, and resulted in a comprehensive re-assessment and refinement of the UNIDO service modules, the identification of areas of emphasis and priority services for the medium term 2004-2007, and the establishment of a research programme for the medium-term period. These outcomes of the review process were presented to the tenth session of the General Conference in documents GC.10/14 and GC.10/CRP.4, and were approved by the General Conference in resolution GC.10/Res.2 on the MTPF for 2004-2007.

9. Specifically, the review process led to the adoption of the following eight revised service modules:

Service Module 1—Industrial governance and statistics

Service Module 2—Investment and technology promotion

Service Module 3—Industrial competitiveness and trade

Service Module 4—Private sector development

Service Module 5—Agro-industries

Service Module 6—Sustainable energy and climate change

Service Module 7—Montreal Protocol

Service Module 8—Environment management

10. Within the broad framework of these revised service modules, moreover, it was decided that UNIDO should concentrate on a number of areas of emphasis during 2004-2007, comprising investment promotion; technology transfer, diffusion and management; trade facilitation and market access; private sector enterprise development; and multilateral environmental agreements. In translating the selected areas of emphasis into the specific services provided under the UNIDO service modules, it was decided to focus on the following priority services under each service module:

Service Module 1:

Capabilities-building in industrial statistics

Preparation of national and regional industrial diagnoses

Service Module 2:

Strategy and policy advice on foreign direct investment

Support services for strengthening national technology management systems

Service Module 3:

Strengthening operational components of the conformity infrastructure

Competitiveness enhancement through quality and productivity

Service Module 4:

A policy toolbox for private sector development

Promotion of SME export consortia

Service Module 5:

Post-harvest systems in the food sector

Fibre processing

Product innovation and diversification for enhanced market access

Enhancing rural community livelihood through efficient agro-supply chains

Service Module 6:

Rural energy for productive use with emphasis on renewable energy

Energy efficiency

Service Module 7:

Support for the formulation and implementation of national and sectoral phase-out plans

Generation of databases on the impact of Montreal Protocol activities

Service Module 8:

Cleaner and sustainable production

Water management

11. Separately, the review process initiated in the latter half of 2003 resulted in the formulation of a coordinated research programme responding directly to the priorities identified in the corporate strategy. This research programme constitutes an integral part of the MTPF for 2004-2007. It consists of four research components with two proposed activities per research component, as follows:

Research Component 1—Contribution of industry to development and poverty reduction:

Building a database on productivity and economic indicators

Assessing productivity performance and structural change and their contribution to poverty reduction

Research Component 2—Technology diffusion for productivity enhancement:

Strengthening the interactions between economic agents, markets and institutions to draw effectively on international trade and investment flows

Reconciling industry and environment: Implications for technological development and diffusion

Research Component 3—Policy choices in the new economic order:

Industrial development policy toolbox attuned to the challenges posed by the multilateral system

Assessing how best global value chains can contribute to enhanced domestic capabilities

Research Component 4—Private sector development:

Ensuring the contribution of SMEs and entrepreneurship to fostering growth, learning, specialization, technical innovation and exports

Building on successful experiences of Corporate Social Responsibility (CSR) to promote sustainable development

12. Since the approval of the MTPF for 2004-2007 by the tenth session of the General Conference, considerable efforts have been undertaken to ensure its effective implementation. A publication entitled *Operationalizing UNIDO's Corporate Strategy—Services and priorities for the medium term 2004-2007*, which encompasses all relevant documents (the corporate strategy and documents GC.10/14 and GC.10/CRP.4) has been printed and circulated to all headquarters and field staff. In addition, the Director-General has held personal meetings with all staff members of the Programme Development and Technical Cooperation Division and the Programme Coordination and Field Operation Division to brief them on the objectives and implementation of the MTPF for 2004-2007 and discuss the implications with them.

Based on the issues raised at these meetings, a series of follow-up workshops have been instituted for staff members to clarify lingering areas of uncertainty and formulate new approaches to address new challenges.

III. PROPOSALS FOR 2006-2009

13. The MTPF for 2006-2009 is expected to evolve from the current MTPF for 2004-2007 and to maintain a broad continuity with it. This continuity will be facilitated by the overlap of the two framework periods in the biennium 2006-2007, and by the expectation that the MTPF for 2006-2009 will continue to adhere, in general terms, to the objectives as laid out in the corporate strategy and the service modules derived therefrom.

14. At the same time, it is likely that a review of the current areas of emphasis and priority services may be conducted in the period leading up to the final formulation of the MTPF for 2006-2009 in order to take account of the evolving development agenda. This may lead to the prioritization of other services included in the service modules than those that have been currently selected. Similarly, the research programme may also be subject to some revision as the lines of research currently embarked upon are exhausted and new issues emerge. Any such revisions will, of course, be conducted in full consultation with the Member States at the regular sessions of the governing bodies and through other channels as appropriate.

15. In addition, the final version of the MTPF for 2006-2009 will also be informed by, and aligned with, the strategic long-term vision statement for the following 10-15 years that the Secretariat has been invited to prepare, possibly in time for its adoption by the next General Conference.

16. The methods of delivery of UNIDO's technical cooperation services, which comprise integrated programmes (IPs) and country service frameworks (CSFs), where a selection of service modules is employed in a coherent and mutually reinforcing manner to assist client countries in overcoming their critical industrial development problems, and stand-alone projects involving only one or two service modules, have proved very effective in the past years and are expected to remain unchanged. They will continue to be supplemented by a variety of thematic initiatives to provide specialized assistance to developing countries and countries with economies in transition in meeting particularly pressing development needs in line with the international development agenda and UNIDO's comparative advantages in the field of industrial development. Initiatives of this nature currently include trade-related technical assistance, rural energy for productive use, post-crisis industrial rehabilitation and reconstruction. Others may be added as necessary and appropriate.

17. The resources required for the implementation of the medium-term framework 2006-2009 will have to be determined in conjunction with the finalization of its substantive content.

IV. ACTION REQUIRED OF THE COMMITTEE

18. The Committee may wish to take note of the present document.

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SECURITY ENHANCEMENTS AND PROPOSED NEW CONFERENCE FACILITIES

Note by the Secretariat

Outlines the measures needed to ensure that the Vienna International Centre responds effectively to the headquarters minimum operating security standards (H-MOSS) and the financial implications thereof for UNIDO. Furthermore, reports on the plans for new conference facilities and their possible cost implications.

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Introduction

1. In light of the worldwide radically altered security situation and the increase of threats of terrorist attacks on United Nations operations and facilities, the Secretary-General has introduced a number of measures to ensure that the minimum standards of security and safety for staff and infrastructure are achieved both at United Nations headquarters and in the field.

2. After the attack on the United Nations headquarters at Baghdad in August 2003, it became apparent that additional measures had to be introduced at United Nations headquarters locations. The headquarters minimum operating security standards (H-MOSS) have therefore been significantly enhanced. The Vienna International Centre-based organizations (VBOs) have had continuous discussions on these measures to reach compliance with the new H-MOSS, both internally and with the Austrian authorities.

3. Based on an analysis prepared by the United Nations Office at Vienna (UNOV) Security and Safety Services, an initial set of necessary measures to comply with H-MOSS in the Vienna International Centre (VIC) were identified and corresponding proposals submitted to the United Nations Secretariat in New York. These requirements for security improvements were included in a report by the Secretary-General entitled "Strengthening the security and safety of United Nations operations, staff and premises" (A/58/756), which was considered by the General Assembly on 18 June 2004 (resolution 58/295).

4. A joint presentation of VBOs on 22 April 2004 informed permanent missions of the background and status of new security enhancements. The presentation also covered a proposal by the Austrian authorities to expand conference facilities at the VIC, for which updated information is provided in chapter II of the present document.

I. SECURITY ENHANCEMENTS

A. Necessary measures to respond effectively to H-MOSS

5. While H-MOSS introduced a gamut of additional security measures, it is important to highlight that certain improvements had already been introduced at the VIC even before the development of the new headquarters security standards, including:

(a) The inside perimeter coverage had been strengthened through the internal redeployment of security staff. Incoming vehicles are being checked and plans are being developed to screen all incoming vehicles for explosives;

(b) The existing fence, including fire ramps had been replaced with a new reinforced one.

6. There are, however, other areas that need to be addressed to achieve an effective level of security in accordance with H-MOSS. The concept and design for the implementation of necessary measures has already been developed by the security and information technology services of UNOV. Due to the sensitive nature of this information the present document will not elaborate on the particular vulnerabilities of the VIC. The envisaged investments include the following items:

(a) Vehicle crash barriers at all gates;

(b) Inside/outside perimeter fence surveillance/ alarm system;

(c) Detection equipment for explosive/harmful substances;

(d) Explosives detector for all vehicles entering the VIC;

(e) Radio frequency-based grounds pass system;

(f) Systems for remote closing/locking access doors;

(g) Reinforcement of perimeter security posts;

(h) Specialized uniform items and protective equipment;

(i) New radio communication system;

(j) Specialized training programmes;

(k) Additional security staff; and

(l) Installation of anti-shattering windows and partial filming of windows.

7. The last item on the list is one of the most critical requirements of the headquarters security standards: the application of blast film or the installation of anti-shattering windows. The technically desired solution would involve the replacement of all windows with heat-insulated, sun heat reflection and anti-shattering glazing. However, due to the construction of the building, such work would cause the release of asbestos dust from the frames of the majority of around 16,000 windows, representing 28,000 m2 of surface. Therefore, this project will have to be synchronized with the complete removal of asbestos from the buildings of the VIC.

8. Since the asbestos removal will take several years, a temporary solution in the form of the application of

blast film on the surface of windows in the most critical locations is a must. At the same time, for the minority of the windows not affected by asbestos, i.e. on the lower floors, the replacement will start soon.

9. In relation to security enhancements outside the VIC perimeters, working group discussions have been held between the Austrian authorities and VBO representatives. The following measures are under discussion:

(a) The VBOs have requested that the public roads adjacent to the fence of the VIC be closed. So far, the Austrian authorities have looked favourably at closing the roads to heavy traffic, leaving them open only to passenger vehicles and small cargo vehicles. This may reduce the blast danger from larger devices, but does not exclude the danger from smaller vehicles. The organizations maintain their position on roads closure, as the facades of the VIC are at risk from large explosions on those roads in spite of the installation of either anti-shattering windows or blast film;

(b) The VBOs requested the bus terminus at the facade of B-building to be moved. The City of Vienna is committed to moving the terminus.

10. In addition, the Austrian police have increased patrols at the VIC perimeter. Agreements are close to being reached on the location of surveillance cameras and police reaction to incidents.

11. Thus far, the Austrian authorities have reacted positively to covering just the costs of enhancements outside the VIC perimeter.

B. Budgetary requirements

12. As indicated above, the measures that are necessary to respond effectively to H-MOSS will have to be financed from resources to be made available to the organizations. The total budgetary requirements for the first phase of these important security enhancements amount to $13.25 million, out of which $10.88 million is a one-time capital investment and $2.37 million recurring costs. While the one-time costs are related to the procurement of equipment and services in relation to the items listed above, there will also be annual recurring costs consisting mostly of the provision for new security officer posts.

13. As the office that provides security and safety services to all VBOs, UNOV submitted this set of budgetary requirements of $13.25 million on 6 February 2004 to the United Nations Secretariat for inclusion in the Secretary-General's proposal to the General Assembly. The General Assembly approved measures totalling $8.4 million for the VIC and appropriated an amount of $1.9 million for UNOV's share of this amount for immediate implementation (resolution 58/295). Funds corresponding to the shares of other VBOs will have to be made available by Member States of the respective organizations.

14. Not included in this first phase were resources for shatter-resistant windows, electronic access control systems and additional security staff, for which a submission to the General Assembly in autumn of 2004 is under preparation. The report will also include such additional requirements for the Vienna headquarters that could be identified only after the initial submission in February 2004.

15. The financial requirements for the initial phase at the VIC amount to $8.4 million, or €7.56 million (calculated on an exchange rate basis of €0.901 per $1). UNIDO's share represents $1.38 million of that amount, equalling €1.24 million.

C. Financing modalities for UNIDO

16. In the programme and budgets for the biennium 2004-2005, as contained in document IDB.27/3 and as approved in decision GC.10/Dec.17, there is no provision for UNIDO to cover the unforeseen expenditures. Furthermore, due to the reduction in the proposed expenditures by Member States in the final approval process of the biennial budgets, as well as the less-than-hundred per cent collection rate, the Organization is unable to identify savings of this magnitude.

17. The Financial Regulations of UNIDO offer two approaches in situations such as the one at hand. The Director-General may submit a supplementary estimate for the current fiscal period (i.e. the current biennium) for the regular budget when required, as stipulated in financial regulation 3.9. If approved, the additional budgetary requirements would be assessed on Member States through the application of the current scale of assessment. However, financial regulation 3.9 also stipulates that supplementary estimates shall be subject to the same review and approval procedures laid down for initial estimates, i.e. through the Programme and Budget Committee to the Board for consideration and approval by the General Conference (financial regulations 3.5 and 3.8). This process is lengthy and would not facilitate UNIDO's contribution towards the investment costs during 2004.

18. Alternatively, the Director-General is authorized to accept voluntary contributions on behalf of the Organization, provided that the purpose for which the contributions are made is consistent with the policies of the Organization (financial regulation 6.1). Furthermore, the Director-General may establish special accounts if the creation thereof is reported to the Board through the Programme and Budget Committee.

19. Considering the above alternatives, the Secretariat would propose to Member States the creation of a special account for the collection of voluntary contributions towards meeting UNIDO's share in implementing the action plan for making the VIC H-MOSS compliant. The special account would be available for the period during which the capital investments are completed, and would be utilized to finance UNIDO's share towards all related costs for which no budgetary provision exists in the regular budget of the Organization. The utilization of the special account would be limited to the availability of funds in the account. Furthermore, the special account would be subject to reporting in the annual financial statements of the Organization as well as to standard auditing by the External Auditor.

20. As stated above, the initial funding requirements of the proposed special account amount to €1.24 million. However, since UNOV is in the process of identifying additional necessary security measures to ensure H-MOSS compliance, additional funding may be necessary.

II. PROPOSED NEW CONFERENCE FACILITIES

21. In response to a request by the VBOs to the Austrian Ministry for Foreign Affairs, the Austrian Government has kindly offered to construct a new conference building adjacent to VIC buildings A and B. Permanent missions were informed about this proposal in a joint briefing on 22 April 2004. The new conference building would initially be used during the asbestos removal project to accommodate conferences in the years 2007-2009. Subsequently, it would provide additional conference facilities, large enough to accommodate also the General Conference.

22. A draft memorandum of understanding regulating the arrangements for the new conference facilities is currently being negotiated by the Republic of Austria and the VBOs. The Austrian Government committed itself to bearing the construction costs amounting to €50 million. The VBOs are expected to contribute an amount of €2.5 million. UNIDO's share will be based on the expected utilization of the conference building, namely 3 per cent. Starting in 2010, the new facilities would incur annual operation and maintenance costs. Also to these costs UNIDO would contribute a share of 3 per cent. Under the current scenario there would be no financial implications envisaged for UNIDO during the biennium 2006-2007. UNIDO's share would have to be taken into account in the programme and budgets, 2008-2009. The Secretariat will keep Member States abreast of any new developments.

III. ACTION REQUIRED OF THE COMMITTEE

23. The Committee may wish to consider adopting the following draft conclusion:

"The Programme and Budget Committee:

"(a) Takes note of the information provided in document IDB.29/7-PBC.20/7 concerning security enhancements in the Vienna International Centre;

"(b) Also takes note of the creation of a special account by the Director-General as described in document IDB.29/7-PBC.20/7, paragraphs 18 and 19, for the purpose of collecting voluntary contributions to finance UNIDO's share of the activities to comply with the headquarters minimum operating security standards in the Vienna International Centre;

"(c) Urges Member States to make generous and timely contributions to the special account so as to allow the implementation of the relevant measures to proceed in a speedy manner."

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FINANCIAL SITUATION OF UNIDO

Report by the Director-General

Provides information on the financial situation of the Organization as at 30 June 2004.

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I. OVERVIEW

1. The financial situation as at 30 June 2004 can be summarized in the following major points:

(a) The regular budget is being implemented with an initial allocation of 91 per cent of the 2004 appropriations. The expenditure for the first six months amounted to 43.9 per cent of the 2004 appropriations as compared with 47.6 per cent during 2002, the first year of the previous biennium;

(b) The operational budget recorded a surplus of €1.7 million during the first six months of 2004; therefore the level of the operational budget reserve increased from €3.1 million as at 1 January 2004 to €4.8 million as at 30 June 2004;

(c) The expenditure level for buildings management for the first six months amounted to about 45.2 per cent of the 2004 appropriations, which is lower than that for the same period of 2002 (54.4 per cent) due to the delayed start of the asbestos removal work;

(d) The level of regular budget cash resources (including the Working Capital Fund) was €36.5 million. As compared to this, the cash balance as at 30 June 2003 and June 2002 was €44.5 million and €26.9 million, respectively;

(e) The collection rate of 2004 assessed contributions was 65.6 per cent, as compared to June 2003 and June 2002 of 78.7 and 56.4 per cent, respectively;

(f) The collection rate of prior years' arrears, as compared to the current year's assessments, was 1.8 per cent. The rate as at 30 June 2003 and 2002, as compared to the assessments of those years, was 1.6 and 3.2 per cent, respectively;

(g) Outstanding contributions amounted to €137.1 million, as shown in annex I to the present document (including arrears of €69.2 million by the United States of America, and €2.1 million by the former Yugoslavia). The outstanding amounts as at 30 June 2003 and 2002 were €124.5 million and €138.2 million, respectively;

(h) The Working Capital Fund was at the level of €7,423,030; however, an amount of €95,604 was outstanding as at 30 June 2004;

(i) Unencumbered balances of appropriations and income from new Member States, amounting to €4,441,022, was distributed to eligible Member States, as mentioned in document IDB.28/10. The amount of €1.3 million thereof, renounced on a voluntary basis, is being implemented as specified. According to General Conference decision GC.10/Dec.11, the amount of €436,457 is being utilized for integrated programmes or country service frameworks.

II. REGULAR AND OPERATIONAL BUDGETS, 2004-2005

2. As stated in document IDB.28/10, the implementation of the approved programme and budgets commenced as planned. In view of the reduced approval level of the gross regular budget, as well as the expected collection rate of the current year's assessed contributions of some 93 per cent and the healthy cash position of the Organization at the beginning of 2004, an average allotment level of some 91 per cent of the originally planned gross expenditures is envisaged for 2004, including UNIDO's share of Buildings Management Services. Except for the Regular Programme of Technical Cooperation, reduced allotment levels will be necessary under each object of expenditure.

3. Regular budget expenditures during the period 1 January to 30 June 2004 amounted to €32.3 million. This amount corresponds to 43.9 per cent of the total appropriation for 2004. In the first year (i.e. 2002) of the preceding biennium, an implementation rate of 47.6 per cent was recorded. The current value represents a smooth budget implementation, however, with due regard to the reduction of appropriations, as approved by the General Conference.

4. Expenditures/delivery of technical cooperation activities as at 30 June 2004 amounted to $62.6 million. As compared to this, delivery as at 30 June 2003 and 2002 was $58.3 and $50.9 million, respectively. As can be seen, delivery in 2004 is higher by some $11.7 million, as compared to the first year of the previous biennium and about $4.3 million higher than that of the second. Thanks to the establishment of a special account for RPTC in the 2002-2003 biennium, the delivery of such resources is spread more evenly over the biennium. Every effort is being made to achieve the current year delivery target of some $95 million.

5. Operational budget income from support cost earned from technical cooperation delivery and other income amounted to €5.9 million for the first half of 2004. Expenditure (staff costs and field office costs) for the same period amounted to €4.2 million, leading to a surplus of €1.7 million during the first six months of 2004. Accordingly, the level of the operating reserve increased from €3.1 million as at 1 January 2004 to €4.8 million as at 30 June 2004.

6. The Buildings Management Service budget is being implemented according to the prevailing work plan. Expenditure for the period 1 January to 30 June 2004 amounted to €10.7 million, which represents some 45.2 per cent of the 2004 appropriations. As compared to this, expenditure in 2002—the first year of the previous biennium—amounted to some 54.4 per cent of the appropriations for that year. The reason for the lower implementation rate this year lies in the delayed start of the asbestos removal work.

III. SPECIAL ACCOUNTS FOR THE REGULAR PROGRAMME OF TECHNICAL COOPERATION AND BUILDINGS MANAGEMENT SERVICE

7. At its ninth session, the General Conference established special accounts for certain activities under Buildings Management Services and for the Regular Programme of Technical Cooperation (RPTC) that would not be subject to financial regulations 4.2 (b) and 4.2 (c) (GC.9/Dec.14). In decision IDB.24/Dec.7, the Board requested the Director-General to submit to the General Conference at the end of each biennium, through the Industrial Development Board, a report on the status and balance of those accounts.

8. Statements on the special accounts are included in the report of the External Auditor (IDB.29/3-PBC.20/3, annex III and note 2 (g)), and information on the status of the special account for RPTC was also provided in document IDB.28/10. Up-to-date information will be submitted to the Committee, and through the Board to the General Conference, at its twenty-first session, by which time a more accurate picture should emerge on the balance of the accounts, particularly in terms of the utilization of the amounts currently obligated.

IV. ASSESSED CONTRIBUTIONS

A. Collections

9. A total of 55 Member States, including eight least developed countries (LDCs), have made full payments and 35 Member States, 10 of which are LDCs, have made partial payments and/or their adjustments have been credited towards their assessed contributions for the year 2004. The collections in the period from January to June 2004, broken down by List of States, are shown in table 1.

Table 1. Collections, January-June 2004
(in millions of euros)

*List of States**	*Current year*	*Prior years*	*Total*
A	2.12	0.13	2.25
B	42.28	0.08	42.36
C	0.16	0.80	0.96
D	2.03	0.21	2.24
Others	0.00	0.00	0.00
USA	0.00	0.02	0.02
Yugoslavia (former)	0.00	0.00	0.00
Total	**46.59**	**1.24**	**47.83**

* As contained in document GC.10/18.

B. Outstanding contributions

10. The detailed status of assessed contributions outstanding as at 30 June 2004 is contained in the annex to the present document. The scale of assessment and outstanding contributions as at 30 June 2004, broken down by List of States, are shown in table 2.

Table 2. Scale of assessment and outstanding contributions as at 30 June 2004

		Millions of euros		
*List of States**	*Scale of assessment (%)*	*Current year*	*Prior years*	*Total*
A	10.82849	5.57	5.81	11.38
B	78.15186	13.21	0.00	13.21
C	7.82719	5.41	23.11	28.52
D	3.18720	0.22	12.03	12.25
Others	0.00526	0.00	0.49	0.49
Subtotal	100.00000	24.41	41.44	65.85
USA		0.00	69.21	69.21
Yugoslavia (former)		0.00	2.08	2.08
Total	**100%**	**24.41**	**112.73**	**137.14**

* As contained in document GC.10/18.

V. VOTING RIGHTS

11. As indicated in the annex to the present document, the voting rights of 46 Member States had been suspended as at 30 June 2004 in accordance with Article 5.2 of the Constitution and financial regulation 5.5 (b), as shown in table 3.

Table 3. Suspension of voting rights, as at 30 June 2004

	Number of Member States		
Members of	*2004*	*2003*	*2002*
General Conference	46	52	55
Industrial Development Board	2	2	1
Programme and Budget Committee	1	1	1

12. In order to restore their voting rights for the remainder of 2004, these Member States must pay their full contributions for 2001 and prior years, including advances to the Working Capital Fund, as well as a partial contribution for 2002. The minimum total amount that would have to be paid by these Member States is €24,904,520.

VI. IMPLEMENTATION OF RECOMMENDATIONS OF GROUP ON TIMELY PAYMENTS

13. Table 4 shows, in summary form, the current status of those Member States that have entered into payment plan arrangements to settle outstanding assessed contributions. Sierra Leone has signed a five-year payment plan that will become operational as soon as the first instalment is received. Negotiations are ongoing with a number of Member States, in particular Brazil, Kazakhstan and Tajikistan.

Incentives and disincentives

14. As stated in document IDB.28/10, the Secretariat is closely following issues on this topic on related experience of other organizations of the United Nations system. Relevant documentation is expected to be made available by the Committee on Contributions to the General Assembly by September 2004. The governing bodies will be informed accordingly once information becomes available.

Arrears by former Member States

15. The amounts owed to UNIDO by the United States are as follows:

Assessed contributions, 1994-1996	€69,206,348
Income taxes (under the Tax Reimbursement Agreement)	€ 956,753
Total	**€70,163,101**

The Secretariat is following up this issue with the Permanent Representative of the United States of America to the United Nations in Vienna to pursue payment.

16. As stated in previous documents (IDB.25/6 and GC.10/12), the Secretariat is closely following developments at the United Nations General Assembly regarding outstanding assessed contributions of the

Table 4. Payment plans, as at 30 June 2004

Member State	*Total amount of arrears (in euros)*	*Duration years*	*Payment due (month)*	*Instalment due*	*Payment current year*
Afghanistan	90,615	Five	July	First	Yes / January
Azerbaijan	1,269,247	Ten	May	Second	Yes
Belarus	452,373	Three	September	Second	Yes / March
Lithuania	434,241	Five	December	Second	Scheduled
Ukraine	9,711,236	Ten	October	Fourth	Scheduled

former Yugoslavia, which had decided to defer consideration thereof to its fifty-ninth session. The arrears amount to €2,081,702. Any decision in this respect taken by the General Assembly will be conveyed to the UNIDO governing bodies for consideration.

VII. UNENCUMBERED BALANCES OF APPROPRIATIONS AND INCOME FROM NEW MEMBER STATES

17. Detailed information on the unencumbered balances of appropriations and income from new Member States was provided in documents GC.10/12 and IDB.28/10. In accordance with General Conference decision GC.10/Dec.11, the amount of €436,457 is being utilized by the Secretariat for integrated programmes or country service framework as specified.

VIII. ACTION REQUIRED OF THE COMMITTEE

18. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.29/8-PBC.20/8;

"(b) Urges those Member States and former Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years' arrears, to do so without delay;

"(c) Requests the Director-General to pursue his efforts and contacts with Member States to effect the collection of arrears."

Annex

STATUS OF ASSESSED CONTRIBUTIONS TO THE REGULAR BUDGET

Status as of 30 June 2004

	Outstanding assessed contributions	WCF 2004 due	Total due	Years	Voting rights [a]	Minimum payment to gain voting rights
AFGHANISTAN	71,922		71,922	1994 (p) - 2004	No	57,990
ALBANIA	-		-	-	Yes	
ALGERIA	64,602		64,602	2004 (p)	Yes	
ANGOLA	-		-	-	Yes	
ARGENTINA	5,596,678		5,596,678	1999 (p) - 2004	No	2,513,840
ARMENIA	914,707		914,707	1992 (p) - 2004	No	908,830
AUSTRIA	-		-	-	Yes	
AZERBAIJAN	1,015,397		1,015,397	1994 (p) - 2004	Yes	Payment Plan /*b*
BAHAMAS	-		-	-	Yes	
BAHRAIN	17,505		17,505	2003 (p) - 2004	Yes	
BANGLADESH	6,461		6,461	2004 (p)	Yes	
BARBADOS	9,231		9,231	2003 (p) - 2004	Yes	
BELARUS	150,791		150,791	2000 (p) - 2004	Yes	Payment Plan /*b*
BELGIUM	-		-	-	Yes	
BELIZE	-		-	-	Yes	
BENIN	2,033		2,033	2003 (p) - 2004	Yes	
BHUTAN	-		-	-	Yes	
BOLIVIA	22,407		22,407	2002 (p) - 2004	Yes	
BOSNIA AND HERZEGOVINA	2,857		2,857	2004 (p)	Yes	
BOTSWANA	-		-	-	Yes	
BRAZIL	18,967,252	79,049	19,046,301	1995 (p)- 2004	No	12,545,250
BULGARIA	-		-	-	Yes	
BURKINA FASO	-		-	-	Yes	
BURUNDI	67,071		67,071	1993 (p) - 2004	No	65,180
CAMBODIA	6,001		6,001	2002 (p) - 2004	Yes	
CAMEROON	5,736		5,736	2004 (p)	Yes	
CAPE VERDE	96,818		96,818	1991 (p) - 2004	No	94,920
CENTRAL AFRICAN REPUBLIC	112,181		112,181	1989 (p) - 2004	No	110,280
CHAD	95,288		95,288	1991 (p) - 2004	No	93,390
CHILE	361,427		361,427	2003 (p) - 2004	Yes	
CHINA	1,484,329		1,484,329	2004 (p)	Yes	
COLOMBIA	401,198		401,198	2002 (p) - 2004	Yes	
COMOROS	135,360		135,360	1986 (p) - 2004	No	133,460
CONGO, REPUBLIC OF	1,818		1,818	2002 (p) - 2004	Yes	
COSTA RICA	125,765	18	125,783	1995 (p) - 2004	No	69,650
CÔTE D'IVOIRE	-		-	-	Yes	
CROATIA	-		-	-	Yes	
CUBA	55,134		55,134	2003 (p) - 2004	Yes	
CYPRUS	-		-	-	Yes	
CZECH REPUBLIC	-		-	-	Yes	
DEM. PEOPLE'S REPUBLIC OF KOREA	12,434		12,434	2003 (p) - 2004	Yes	
DEM. REPUBLIC OF THE CONGO	125,868		125,868	1989 (p) - 2004	No	115,290
DENMARK	711,411		711,411	2004 (p)	Yes	
DJIBOUTI	94,266		94,266	1991 (p) - 2004	No	92,370
DOMINICA	1,266		1,266	2003 (p) - 2004	Yes	
DOMINICAN REPUBLIC	373,752	2,102	375,854	1986 (p) - 2004	No	311,340
ECUADOR	22,519		22,519	2004 (p)	Yes	

	Outstanding assessed contributions	WCF 2004 due	Total due	Years	Voting rights [a]	Minimum payment to gain voting rights
EGYPT	149,236		149,236	2003 (p) - 2004	Yes	
EL SALVADOR	193,877	1,747	195,624	1988 - 2004	No	144,180
EQUATORIAL GUINEA	135,360		135,360	1986 (p) - 2004	No	133,460
ERITREA	1,263		1,263	2003 (p) - 2004	Yes	
ETHIOPIA	-		-	-	Yes	
FIJI	3,480		3,480	2004 (p)	Yes	
FINLAND	-		-	-	Yes	
FRANCE	-		-	-	Yes	
GABON	52,517		52,517	2001 (p) - 2004	No	13,140
GAMBIA	74,787		74,787	1992 (p) - 2004	No	72,890
GEORGIA	1,603,993		1,603,993	1992 (p) - 2004	No	1,589,730
GERMANY	4,616,011		4,616,011	2004 (p)	Yes	
GHANA	6,222		6,222	2003 (p) - 2004	Yes	
GREECE	-		-	-	Yes	
GRENADA	67,173		67,173	1993 (p) - 2004	No	65,280
GUATEMALA	-		-	-	Yes	
GUINEA	2,509		2,509	2004 (p)	Yes	
GUINEA-BISSAU	117,491		117,491	1988 (p) - 2004	No	115,600
GUYANA	502		502	2004 (p)	Yes	
HAITI	1,833		1,833	2004 (p)	Yes	
HONDURAS	-		-	-	Yes	
HUNGARY	-		-	-	Yes	
INDIA	-		-	-	Yes	
INDONESIA	201,867	98	201,965	2004	Yes	
IRAN (ISLAMIC REPUBLIC OF)	699,043		699,043	2002 (p) - 2004	Yes	
IRAQ	1,835,139	10,582	1,845,721	1991 (p) - 2004	No	1,492,020
IRELAND	-		-	-	Yes	
ISRAEL	396,996		396,996	2004 (p)	Yes	
ITALY	412,899		412,899	2004 (p)	Yes	
JAMAICA	8,933		8,933	2002 (p) - 2004	Yes	
JAPAN	6,988,260		6,988,260	2004 (p)	Yes	
JORDAN	7,695		7,695	2004 (p)	Yes	
KAZAKHSTAN	524,106		524,106	1998 (p) - 2004	No	443,860
KENYA	-		-	-	Yes	
KUWAIT	-		-	-	Yes	
KYRGYZSTAN	376,432		376,432	1993 (p) - 2004	No	374,540
LAO PEOPLE'S DEM. REPUBLIC	-		-	-	Yes	
LEBANON	31,607		31,607	2002 (p) - 2003	Yes	
LESOTHO	539		539	2004 (p)	Yes	
LIBERIA	106,681		106,681	1990 (p) - 2004	No	104,790
LIBYAN ARAB JAMAHIRIYA	41,784		41,784	2004 (p)	Yes	
LITHUANIA	352,280		352,280	1996 (p) - 2004	Yes	Payment Plan /*b*
LUXEMBOURG	-		-	-	Yes	
MADAGASCAR	554		554	2004 (p)	Yes	
MALAWI	40,184		40,184	1996 (p) - 2004	No	34,310
MALAYSIA	-		-	-	Yes	
MALDIVES	243		243	2004 (p)	Yes	
MALI	2,474		2,474	2003 (p) - 2004	Yes	
MALTA	13,412		13,412	2004 (p)	Yes	
MAURITANIA	114,685		114,685	1988 (p) - 2004	No	112,800
MAURITIUS	-		-	-	Yes	
MEXICO	1,034,068		1,034,068	2004 (p)	Yes	

	Outstanding assessed contributions	WCF 2004 due	Total due	Years	Voting rights [a]	Minimum payment to gain voting rights
MONACO	-		-	-	Yes	
MONGOLIA	539		539	2004 (p)	Yes	
MOROCCO	41,973		41,973	2004 (p)	Yes	
MOZAMBIQUE	617		617	2004 (p)	Yes	
MYANMAR	13,155		13,155	2003 (p) - 2004	Yes	
NAMIBIA	-		-	-	Yes	
NEPAL	3,729		3,729	2004 (p)	Yes	
NETHERLANDS	-		-	-	Yes	
NEW ZEALAND	-		-	-	Yes	
NICARAGUA	135,346		135,346	1986 (p) - 2004	**No**	133,450
NIGER	96,853		96,853	1991 (p) - 2004	**No**	94,960
NIGERIA	154,993		154,993	2002 (p) - 2004	Yes	
NORWAY	-		-	-	Yes	
OMAN	-		-	-	Yes	
PAKISTAN	57,833		57,833	2004 (p)	Yes	
PANAMA	19,529		19,529	2003 (p) -2004	Yes	
PAPUA NEW GUINEA	10,818		10,818	2003 (p) - 2004	Yes	
PARAGUAY	60,937		60,937	2000 (p) - 2004	**No**	15,530
PERU	414,860		414,860	2001 (p) - 2004	**No**	79,330
PHILIPPINES	118,316		118,316	2003 (p) - 2004	Yes	
POLAND	-		-	-	Yes	
PORTUGAL	466,314	132	466,446	2004	Yes	
QATAR	32,131		32,131	2004 (p)	Yes	
REPUBLIC OF KOREA	1,868,272	622	1,868,894	2004	Yes	
REPUBLIC OF MOLDOVA	874,771		874,771	1993 (p) - 2004	**No**	868,900
ROMANIA	-		-	-	Yes	
RUSSIAN FEDERATION	-		-	-	Yes	
RWANDA	9,946		9,946	1999 (p) - 2004	**No**	8,050
SAINT KITTS AND NEVIS	617		617	2004 (p)	Yes	
SAINT LUCIA	-		-	-	Yes	
SAINT VINCENT & THE GRENADINES	111,651		111,651	1989 (p) - 2004	**No**	109,760
SAO TOME AND PRINCIPE	135,360		135,360	1986 (p) - 2004	**No**	133,460
SAUDI ARABIA	-		-	-	Yes	
SENEGAL	3,998		3,998	2004 (p)	Yes	
SERBIA & MONTENEGRO	20,217		20,217	2003 (p) - 2004	Yes	
SEYCHELLES	47,818		47,818	1995 (p) - 2004	**No**	41,940
SIERRA LEONE	83,078		83,078	1992 (p) - 2004	**No**	81,180
SLOVAKIA	-		-	-	Yes	
SLOVENIA	413,538	994	414,532	1999 (p) - 2004	**No**	185,200
SOMALIA	135,359		135,359	1986 (p) - 2004	**No**	133,460
SOUTH AFRICA	-		-	-	Yes	
SPAIN	-		-	-	Yes	
SRI LANKA	-		-	-	Yes	
SUDAN	-		-	-	Yes	
SURINAME	43,512		43,512	1996 (p) - 2004	**No**	37,640
SWAZILAND	1,534		1,534	2004 (p)	Yes	
SWEDEN	-		-	-	Yes	
SWITZERLAND	-		-	-	Yes	
SYRIAN ARAB REPUBLIC	-		-	-	Yes	
TAJIKISTAN	277,792		277,792	1993 (p) - 2004	**No**	275,900
THAILAND	361,472		361,472	2003 (p) - 2004	Yes	
TFYR	6,056		6,056	2004	Yes	

	Outstanding assessed contributions	WCF 2004 due	Total due	Years	Voting rights [a]	Minimum payment to gain voting rights
TIMOR-LESTE	-		-	-	Yes	
TOGO	73,178		73,178	1993 (p) - 2004	**No**	71,280
TONGA	-		-	-	Yes	
TRINIDAD AND TOBAGO	-		-	-	Yes	
TUNISIA	1,989		1,989	2004 (p)	Yes	
TURKEY	-		-	-	Yes	
TURKMENISTAN	210,665	260	210,925	1995 (p) - 2004	**No**	202,700
UGANDA	1,117		1,117	2004 (p)	Yes	
UKRAINE	6,855,472		6,855,472	1995 (p) - 2004	Yes	Payment Plan /*b*
UNITED ARAB EMIRATES	192,356		192,356	2004 (p)	Yes	
UNITED KINGDOM	-		-	-	Yes	
UNITED REP. OF TANZANIA	-		-	-	Yes	
URUGUAY	273,022		273,022	2001 (p) - 2004	**No**	45,370
UZBEKISTAN	480,220		480,220	1997 (p) - 2004	**No**	449,210
VANUATU	79,047		79,047	1992 (p) - 2004	**No**	77,150
VENEZUELA	229,394		229,394	2003 (p) - 2004	Yes	
VIET NAM	15,691		15,691	2004 (p)	Yes	
YEMEN	5,705		5,705	2004	Yes	
ZAMBIA	57,534		57,534	1994 (p) - 2004	**No**	51,660
ZIMBABWE	8,100		8,100	2003 (p) - 2004	Yes	
Subtotal:	**65,854,044**	**95,604**	**65,949,648**			**24,904,520**
YUGOSLAVIA (former) [c]	2,081,702		2,081,702	1990 (p) - 2001		
Non-Member						
UNITED STATES OF AMERICA [d]	69,206,348		69,206,348	1994 (p) - 1996		
TOTAL	**137,142,094**	**95,604**	**137,237,698**			**24,904,520**

Summary of outstanding assessed contributions by year	Euros
1986 / 1987	*103,840*
1988 / 1989	*191,118*
1990 / 1991	*1,269,229*
1992 / 1993	*2,037,454*
1994 / 1995	*45,924,203*
1996 / 1997	*40,107,878*
1998 / 1999	*8,406,141*
2000 / 2001	*6,162,655*
2002 / 2003	*8,530,559*
Subtotal	*112,733,077*
2004	24,409,017
TOTAL	**137,142,094**

Notes

(p) refers to partial payment

[a] Voting rights of 46 Member States have been suspended in accordance with Article 5.2 of the Constitution of UNIDO.

[b] In General Conference decisions GC.10/12-14 and GC.9/Dec.12, voting rights of Belarus, Azerbaijan, Lithuania and Ukraine were restored in accordance with Article 5.2 of the Constitution.

[c] Outstanding contribution to be resolved.

[d] Member State of UNIDO until 31 December 1996.

Since 1 July 2004, the following Member States have paid their contributions in full: Denmark, Germany, Indonesia, Morocco and Senegal; Thailand has paid €315,791 (2004 partial payment).

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United Nations Industrial Development Organization

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Industrial Development Board

Twenty-ninth session
Vienna, 9-11 November 2004

Programme and Budget Committee

Twentieth session
Vienna, 8-9 September 2004
Item 9 of the provisional agenda

DRAFT COOPERATION AGREEMENT WITH THE UNITED NATIONS DEVELOPMENT PROGRAMME

Recommendation of the informal advisory group on decentralization

Refers to development at the level of the informal advisory group and informs about purpose, scope and implementation of the cooperation agreement with the United Nations Development Programme (UNDP). Presents a recommendation of the informal advisory group to take positive note of the signing of the agreement.

Introduction

1. The Board in its decision IDB.28/Dec.2 invited the Director-General to continue his dialogue with the UNDP (and possibly other United Nations agencies), with a view to submitting a proposal on a potential alliance in the field and in the context of the United Nations ongoing reform process for further consideration by the Board and/or the Conference. In compliance with the decision the Director-General pursued intensive consultations with UNDP during the consecutive months to further pursue the decentralization process. Furthermore, at a meeting of the informal advisory group on 10 June 2004 the UNDP Administrator presented his organization's vision on the need to foster strategic alliances within the United Nations reform process and on the proposed cooperation agreement. Following that meeting, an information note was circulated to all permanent missions on 30 June 2004 containing comprehensive information on the agreement. The same information, which is provided in the present document, was the basis of discussions at a series of meetings with regional groups. At its meeting on 26 July 2004, the informal advisory group noted that the cooperation agreement fully respected the recommendations of the group which had been laid out in decision IDB.28/Dec.2 (e). The group further agreed to present the terms of the cooperation agreement to the Programme and Budget Committee at its twentieth session with a view to taking positive note of the signing of the agreement in order to facilitate the early implementation of this initiative.

I. CONTENT AND SCOPE OF THE CO-OPERATION AGREEMENT

A. Main purpose of the cooperation

2. The purpose of this strategic alliance is to develop a joint programme of technical cooperation in the area of private sector development, aimed at implementing

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the recommendations contained in the report of the United Nations Commission on Private Sector and Development[1] and in the corporate strategy of UNIDO (GC.10/14, annex). The main goal of this strategic alliance is, therefore, to address poverty alleviation in developing countries as there is a clear recognition that poverty can be alleviated in the most poor and developing countries by creating a conducive atmosphere for the development of the private sector.

B. Other aspects of the cooperation

3. Furthermore, the cooperation agreement is aimed at introducing a new model of field representation for the United Nations system. The new approach will allow UNIDO to ultimately expand its field presence to 80 countries based on joint programmes with UNDP in private sector development and other fields of UNIDO expertise. It recognizes UNIDO's core competencies and its high-level expertise. It also recognizes UNDP's strength at the country level and its capacity to deliver development services to a wide range of partners.

C. Scope of cooperation

4. The agreement defines the scope of cooperation between UNIDO and UNDP at the country level keeping in mind the Millennium Development Goals and Common Country Assessment (CCA)/United Nations Development Assistance Framework (UNDAF) priorities. UNDP's Resident Representative and global knowledge network will mainstream UNIDO's core competencies, knowledge, experience and information. It will also explore the possibility of joint resource mobilization. UNIDO, in turn, will provide expertise on issues of sustainable industrial development, in the following areas:

(a) Trade capacity-building:

- Strengthening regulatory frameworks for conformity infrastructure;
- Enhancing competitiveness;
- Accessing global subcontracting and supply chain networks.

(b) Investment promotion:

- Promotion of foreign direct investment through strategy and policy advice and business alliances;
- Capacity-building to link investment promotion and industry-related institutions;
- Innovative financial initiatives to link industry with financial markets.

(c) Agro-industries:

- Advice and capacity-building to enhance productivity and marketing in the agro-industry;
- Support to traditional agro-industries to improve productivity and efficiency, increase their integration into global value chains and support rural livelihood diversity.

(d) Energy:

- Promotion of rural energy for productive use, with emphasis on renewable energy;
- Assistance with development and implementation of energy efficiency programmes and demonstration of new technologies and processes;
- Implementation of United Nations Framework Convention on Climate Change (Kyoto Protocol) mechanisms;
- Strengthening institutional capacity for projects under the Clean Development Mechanism and joint implementation under the Kyoto Protocol.

(e) Cleaner and sustainable industrial development:

- Support programmes and development of norms and standards for environmentally sustainable industrial development strategies and technologies;
- Implementation of multilateral environmental agreements and execution of Global Environment Facility (GEF)-funded projects on behalf of UNDP;
- Industrial effluents and international waters.

(f) Entrepreneurship and SME development:

- Capacity-strengthening of the private and public sectors for promotion of micro, small and medium enterprise development;
- Design of programmes to support national poverty reduction strategies through rural micro and small enterprises;
- Entrepreneurship development with emphasis on gender issues;
- SME cluster support, networks and export consortia;
- Business partnerships for SME development.

[1] "Unleashing Entrepreneurship", available under http://www.undp.org/cpsd/fullreport.pdf, published 1 April 2004.

D. Joint private sector development programme

5. Special emphasis will be placed on developing and implementing a joint programme of technical cooperation on private sector development drawing on such UNDP programmes as growing sustainable business for poverty reduction and micro-finance, and such UNIDO programmes as business partnerships, SME cluster development, investment promotion and agro-industrial promotion. The agreement also foresees the development of joint programmes in other areas drawing on UNIDO's expertise in the areas defined above.

E. Cooperation modalities

6. The agreement defines further the cooperation modalities between UNIDO and UNDP within the parameters of national ownership. It defines how UNIDO expertise will be utilized by UNDP both in the design and/or implementation of programmes and projects in areas of UNIDO's core competence, funded by various sources including, inter alia, UNDP, Montreal Protocol and GEF.

7. A special emphasis, however, is being placed on joint activities to strengthen private sector development as envisaged in the recommendations of the United Nations Commission on Private Sector and Development.

8. The agreement also indicates that to promote awareness and create an enabling environment in this area of activity, both organizations also undertake to disseminate the knowledge gained from this cooperation through their communication networks.

9. From a financial perspective, it notes that support costs for the implementation of programmes and projects will be determined proportionally, except for those programmes and projects that follow their respective protocols and those financed from UNDP funds for which a flat rate of 6 per cent has been agreed on for the first two years of the implementation of this agreement.

10. As a measure of commitment to this cooperation, the cost of 15 UNIDO Desks will be shared during the first two years, with the cost of a National Officer (estimated at €60,000 for each Desk) borne by UNIDO while the operating cost (estimated at €42,000 for each Desk), cost of office space where necessary and the operational services are being met by UNDP.

F. Strengthening cooperation at the country level

11. The cooperation agreement between UNIDO and UNDP also clearly indicates that cooperation at the country level can be strengthened by increasing UNIDO presence in the field to up to 80 countries. This will be achieved following a phased approach which will focus on: (a) the establishment of UNIDO Desks in UNDP country offices at locations where UNIDO does not have an office; (b) the conversion of UNIDO Country Offices into UNIDO Desks; and (c) the establishment of UNIDO Regional Technical Centres, and where feasible, joint UNIDO/UNDP Regional Technical Centres.

12. This portion of the agreement also focuses on the modus operandi at the field level. It clearly sets out the responsibility of each organization and determines the number of Desks to be established, the procedure for assessment of the performance of these Desks against established criteria, the number of staff allocated to each country, the reporting lines as well as the terms and conditions of the selection, appointment and appraisal of staff.

II. IMPLEMENTATION OF THE CO-OPERATION AGREEMENT

G. A phased approach including a pilot phase

13. As indicated above, the implementation of this cooperation agreement will be done in a phased approach with the opening of 15 UNIDO Desks at locations where UNIDO does not have a field presence or at locations where UNIDO activities do not call for maintaining UNIDO field offices.

14. The effectiveness of the UNIDO Desk will be reviewed within the first 12 months of operation. At such time, a performance assessment will be made to determine if the UNIDO Desks have been effective and should continue or be expanded, if the review period should be extended for an additional period of 12 months or if the programme should be discontinued.

15. The financing of the first two years of this operation will be shared between UNIDO and UNDP. The operating costs of the Desks will be borne by UNDP, including General Service support, office space, utilities, office supplies, file management, payroll services, local communications and transportation. The costs of the National Professional Officer at each location will be met by UNIDO.

H. Implementation of modalities of the cooperation agreement

16. This portion of the cooperation agreement also describes the implementation modalities of the agreement and the responsibility of both the Director-General of UNIDO and the Administrator of UNDP to ensure its satisfactory implementation.

17. It also specifies the duration of the cooperation agreement, which will be for an initial period of five years with options for an extension based on consultations between both parties.

18. It deals with the assignment of responsibility in both organizations for the effective implementation and monitoring of the cooperation agreement in their headquarters offices.

19. The last part of the agreement deals with the issues of dispute settlement making provisions for any controversy or conflicts to be solved through negotiations or through conciliation. It notes as well the terms and conditions of termination of the cooperation agreement whereby each party shall give six months notice in writing to terminate the agreement.

III. ACTION REQUIRED OF THE COMMITTEE

20. The Committee may wish to take positive note of the information provided in the present document and the foreseen signing of the cooperation agreement.